

# The Australian

---

## Love between the cost-benefit spreadsheets

- by: Alice Thomson
- From: The Australian
- March 24, 2012 12:00AM

**BIRDS do it, bees do it, even educated fleas do it. But when economists fall in love they're not the same as the rest of us. Betsey Stevenson and Justin Wolfers, two of America's best-known economists, talk about their relationship in terms of input, output, fungibility and productivity gains rather than anything fluffy or flimsy such as emotions, hormones or first kisses.**

The two Harvard PhDs, who live in Philadelphia, did a cost-benefit analysis before they had their daughter Matilda, and have contemplated the economic merits of everything since they started going out, from who takes out the rubbish to who changes the baby's nappies.

Their methods are being called Lovenomics and they are being hailed as the latest gurus on marriage, divorce and child-rearing. Using graphs, statistics and a set of principles, they think they may have cracked the answer to how to achieve a long and perfect relationship.

The couple outsource much of their life: they pay to be driven to the office and have their dishwasher emptied and their clothes folded so they can concentrate on work and family. They are not married because it would not be economically viable for tax purposes, but they have their own rules of mating, which are infinitely more complex than the vows I took.

They seem to work. Having met at a labour economics seminar in graduate school, they have been a couple for more than a decade and appear to be astonishingly happy together; calm and collected despite working 12-hour days as professors at the Wharton School of business and having a small daughter and an excitable dog.

The more they talk the more convincing they are, to the point where I start wondering whether my marriage might benefit from their economic analysis. Maybe all my husband, children and I need is to follow their rules and we, too, can live a harmonious existence.

Australian Wolfers, 39, who looks and talks more like a surfer than an economics professor, laughs as I describe the chaos of my family life. "I am not trying to convert people, but there are a few core principles of economics that could help you to make better decisions in your life and it's unfair not to share them," he says.

He tells me to take a deep breath and I feel as though I am going into marriage guidance. "The first thing you need to learn is the opportunity cost principle," he explains. "Too often people look at how many dollars something will cost them rather than what they are saving by spending.

"For instance, I could sew my own clothes. The financial cost would be \$5 worth of fabric, but the real cost would be the dozens of hours I would take to make the shirt. You need to outsource anything you are not good at."

It's all about time, says Stevenson, 40, who appears to juggle her career and daughter effortlessly. "Do what you are good at, buy in what you are not and free up the rest of your time to be with your partner or child. Work out your strengths. I breast-fed Matilda until she was 21 months and actively researched education and child development."

Wolfers calls this the principle of comparative advantage. "Look at what you are best at relative to others and focus on doing more of that. For instance, I am a much better economist than I am a cook, so I trade some time. I spend an

extra hour a day doing a little bit more economics so I can pay someone to cook. I do an activity I enjoy - economics - I avoid one I don't enjoy - cooking - and I have better-tasting food."

Surely we do much of this instinctively. I pay for someone to iron our shirts, but I take my children to school because it's fun. "Some of it is hard-wired," Wolfers agrees. "I got up and made my breakfast without thinking about the cost and benefits, but I have subconsciously weighed up that making breakfast is worthwhile."

Evidently we all just need to tap into our inner economist. "Write a list of what you are good at," Wolfers says. "Economists do it naturally." As soon as Wolfers and Stevenson got together, they divided up all the chores. "We are both good economists," says Wolfers, "but Betsey is comparatively better at taxes because she enjoys the calculations."

Stevenson adds: "Justin handles our technology even though I worked in a technology company because he loves checking out the latest gadgets. You probably sort out a vague division already, but become more systematic."

I can see this could cause arguments; my husband brings me tea in bed in the morning, but is that comparable to me making the children's packed lunches?

It's about being grown-up, they suggest. So should we choose complementary mates, someone who likes stacking the dishwasher if we don't? "Historically, that was the best scenario," Stevenson says. "We were taught that opposites should attract; one person should be the breadwinner, the other the homemaker. But now that we are more sophisticated we can benefit from being very similar.

"Justin and I are very alike, but we can buy in what we can't do. We were lucky that we could choose a partner who has consumption complementarity."

I never realised my husband and I were already practising consumption complementarity because we are both journalists and like watching boxed sets. "Real people probably call it love," Wolfers says. "You don't compensate each other's weaknesses, but complement each other's strengths. So I like watching Republican debates, but it's more fun if I can listen to Betsey's jokes about them at the same time."

Are you beginning to get the hang of this? I am, but I worry that we may need to outsource rather a lot of my weaknesses. The boring stuff in the Stevenson-Wolfers household - pureeing baby food and cleaning kitchen floors - is all taken care of by a nanny and a personal assistant.

Wolfers explains that I should look at it another way. "I take out the trash by writing a column," he says. "The newspaper sends me a cheque and I pay someone to lift the bins. It's an efficient way to operate. We've learnt how to delegate."

Their only disagreement appears to be over childcare. When Wolfers says they hire a nanny because she is better educated to look after their daughter, Stevenson nearly chokes. "I wouldn't say she is a better educator. I think child-rearing is different," she says. "Parents might want to spend a couple of years at home with young children, but they also have to factor in that if they leave the labour market for a few years they can't go back to their old job, so it's a long-run economic calculation."

But there's one thing they both agree on. "Even if you want to stay at home, it might not be best for the kid," Wolfers says. "You need to be less emotional and think seriously about whether you'd get better care from one parent devoting all their time to a child, two people splitting their time or three people all sharing it." Stevenson adds: "It's about diminishing returns. We enjoy things a lot for the first hour and then it often slides. Sometimes sharing a task results in a better outcome."

Have they been able to make all their decisions based on economics? "I wanted a dog on the spur of the moment and while I restrained myself that day, we got one soon after," Wolfers says. Stevenson adds: "I did say we would have to

check on the capacity to outsource dog care, like daily dog walking. That is the economist thinking."

Wolfers concurs: "Who is going to walk the dog every day? Luckily, our assistant had the capacity, but I am still wasting thousands of dollars a year walking him at weekends when I could be working."

Wolfers admits Matilda doesn't always fit easily into their economic models. "Statistically, parenting should make you less happy. But we haven't found that to be the case. It's visceral, it's real, it's hormonal."

Usually, however, they stick to their rules. "Always think what you could be doing instead" is another mantra. "It makes it easy to say no to things. If I get an email from a high-school student asking for help with a paper, I respect them, but I have to say no as it is not the best use of my time," Stevenson says. "It sounds mercenary, but it is better to give a speech to 400. You always have to weigh up the marginal impact and the optimal effect."

There appears to be one snag. Few families can afford to outsource most of their domestic responsibilities. I would love to have a chauffeur, but it is not going to happen. "Actually, the principles are the same whatever your circumstances," Wolfers counters. "Most couples both work. So if you are a man today you probably shouldn't pick a wife because she is a good cook, because she can buy pre-prepared ingredients; and you don't need one that sews, because you can rent a seamstress in China."

Stevenson adds: "When I was a child my mother made dresses because it was cheaper, but now you can use discount stores. So even if you have little money you can cut out much of the drudgery and look at what you enjoy doing with your time."

What about friendships? Most of us rely on other parents to help chauffeur children to schools and clubs; surely that is not an economic calculation? "You and your friends probably choose to have a normal reciprocity that will make your lives richer. You may ask them to mow the lawn and you may babysit their kids, so you both get the benefits of specialisation. Friendship is also a form of insurance; it may sound mercenary, but you can help each other out at different times in your life. But even in friendships there are better and worse ways to deploy your friends or be deployed as friends. You need to look at your best use for each other."

We should be more frank about this exchange, according to the couple. Stevenson was working so hard as the chief economist at the labour department in the US administration last year, she says, she paid for her best friend's flight to see her in Washington. "It wasn't devaluing our relationship," she says. "If she was giving up her time to travel to meet my schedule I felt I should be paying for it. I wish we could be more honest. In some families it is easier if one child helps out their elderly parents day-to-day around the home and the other, who may be wealthier, picks up some bills."

These ideas may, I suspect, have more resonance in the US. "My Australian mother can't bear it when I send a cheque to a friend rather than helping them to move for a day. She says I am letting down mateship," Wolfers says. "The British are the same; it's about being polite and muddling through. But Americans are more pragmatic, straightforward and logical."

Can everything be boiled down to pure economics? "How you think about the world, whether ethically or emotionally, can be equally important," Wolfers admits. "If that is your priority, go ahead and make those choices on that basis. We're just trying to provide a different approach, another tool. We won't be offended if it's not for you."

Forget the budget, I am now writing my own input, output and feasibility study for my family and friends.

*The Times*

---